

Gallia County Local School District
Gallia County
Single Audit
For the Fiscal Year Ended June 30, 2011



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Dave Yost • Auditor of State

Board of Education
Gallia County Local School District
230 Shawnee Lane
Gallipolis, Ohio 45631

We have reviewed the *Independent Auditor's Report* of the Gallia County Local School District, Gallia County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gallia County Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 6, 2012

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Gallia County Local School District
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For the Fiscal Year Ended June 30, 2011

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Independent Auditor's Report

Board of Education
Gallia County Local School District
230 Shawnee Lane
Gallipolis, Ohio 45631

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gallia County Local School District, Gallia County, (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallia County Local School District, Gallia County, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As described in Note 22, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

September 28, 2012

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of the Gallia County Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$915,317.
- General revenues accounted for \$24,126,671 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,836,039 or 19% of total revenues of \$29,962,710.
- The School District had \$29,047,393 in expenses related to governmental activities; only \$5,836,039 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$24,126,671 were adequate to provide for these programs.
- The School District has four major funds: the General Fund, the Bond Retirement Fund, the Permanent Improvement Fund, and the Construction Fund. All governmental funds had total revenue and other financing sources in the amount of \$33,119,705 and expenditures and other financing uses in the amount of \$30,181,323.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Gallia County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, the Permanent Improvement Capital Projects Fund, and the Construction Capital Projects Fund.

Governmental Funds. Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds. The School District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the School District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal service fund exclusively benefits governmental functions, it has been included within the governmental funds in the government-wide financial statements. The School District's Internal Service Fund is used to account for medical, life, and dental insurance provided to employees.

Fiduciary Funds. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities	
	2011	2010*
Assets		
Current and Other Assets	\$32,590,426	\$29,400,528
Capital Assets, Net	53,996,230	54,084,569
Total Assets	86,586,656	83,485,097
Liabilities		
Long-Term Liabilities	45,436,076	43,708,548
Current and Other Liabilities	14,568,266	14,109,552
Total Liabilities	60,004,342	57,818,100
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,679,081	15,415,589
Restricted	12,093,346	12,183,526
Unrestricted (Deficit)	1,809,887	(1,932,118)
Total Net Assets	\$26,582,314	\$25,666,997

*As restated, see Note 22 for additional information.

Total net assets of the School District as a whole increased \$915,317. Current and other assets increased due primarily to an increase in cash, cash equivalents, and investments, as a result of cash received from the inception of a capital lease. Long-term liabilities increased primarily due to the School District entering into a lease purchase agreement in the amount of \$2,700,000. Current and other liabilities decreased primarily due to decreases in contracts payable and retainage payable as the school building construction project is coming to a close.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, as compared with 2010.

Table 2
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Revenues		
Program Revenues		
Charges for Services	\$1,487,726	\$1,447,886
Operating Grants and Contributions	4,348,313	5,654,360
Total Program Revenues	<u>5,836,039</u>	<u>7,102,246</u>
General Revenues		
Property Taxes	11,485,258	10,849,988
Grants and Entitlements, Not Restricted	11,888,793	12,428,955
Gifts and Donations, Not Restricted	0	8,300
Investment Earnings	454,213	226,417
Miscellaneous	298,407	298,835
Total General Revenues	<u>24,126,671</u>	<u>23,812,495</u>
Total Revenues	<u>29,962,710</u>	<u>30,914,741</u>
Program Expenses		
Instruction:		
Regular	10,370,681	9,896,897
Special	3,282,623	3,353,479
Vocational	468,495	579,616
Other	1,943,222	2,140,405
Support Services:		
Pupil	588,581	581,724
Instructional Staff	1,284,866	1,056,256
Board of Education	121,063	75,261
Administration	1,684,572	1,729,745
Fiscal	765,854	786,862
Business	23,222	24,534
Operation and Maintenance of Plant	2,027,075	1,865,307
Pupil Transportation	2,328,849	2,219,611
Central	654,038	509,354
Operation of Non-Instructional Services	1,106,612	1,036,535
Extracurricular Activities	468,487	514,936
Interest and Fiscal Charges	1,929,153	1,911,394
Total Expenses	<u>29,047,393</u>	<u>28,281,916</u>
Increase in Net Assets	915,317	2,632,825
Net Assets Beginning of Year - As Restated	25,666,997	23,034,172
Net Assets End of Year	<u>\$ 26,582,314</u>	<u>\$ 25,666,997</u>

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Operating grants and contributions decreased primarily due to the receipt of stimulus funding during the previous year. Grants and entitlements, not restricted decreased due to decreases in Foundation remittances. Investment earnings increased due to an increase in cash on hand as of year end. Property tax revenue increased due to additional collections during the year. Regular instruction increased due to increased costs.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions. Table 3 shows the total cost of services and the net cost of services for 2011 as compared with 2010. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program Expenses				
Instruction:				
Regular	\$10,370,681	\$9,628,201	\$9,896,897	\$8,755,897
Special	3,282,623	1,947,413	3,353,479	1,517,978
Vocational	468,495	442,152	579,616	549,861
Other	1,943,222	1,827,991	2,140,405	1,808,358
Support Services:				
Pupil	588,581	555,343	581,724	551,809
Instructional Staff	1,284,866	631,865	1,056,256	447,263
Board of Education	121,063	114,520	75,261	71,509
Administration	1,684,572	1,457,523	1,729,745	1,535,171
Fiscal	765,854	677,495	786,862	693,853
Business	23,222	21,911	24,534	23,272
Operation and Maintenance of Plant	2,027,075	1,477,315	1,865,307	1,184,469
Pupil Transportation	2,328,849	2,044,034	2,219,611	2,074,207
Central	654,038	309,384	509,354	236,587
Operation of Non-Instructional Services	1,106,612	(88,586)	1,036,535	(296,365)
Extracurricular Activities	468,487	235,640	514,936	114,407
Interest and Fiscal Charges	1,929,153	1,929,153	1,911,394	1,911,394
Total	<u>\$29,047,393</u>	<u>\$23,211,354</u>	<u>\$28,281,916</u>	<u>\$21,179,670</u>

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in fund balance was in the Construction Fund with an increase of \$1,223,621. The Construction Fund had \$55,205 in revenues and expenditures in the amount of \$1,531,584, in addition to, an inception of capital lease in the amount of \$2,700,000. The Bond Retirement Fund had a fund balance increase in the amount of \$708,614. The Bond Retirement Fund had \$3,407,090 in revenues and \$2,698,476 in expenditures due to the retirement of bonds and interest and fiscal charges. The General Fund had \$21,139,160 in revenues and \$20,490,778 in expenditures and other financing uses, which resulted in an increase in fund balance of \$648,382. The Permanent Improvement Fund had \$597,226 in revenues and other financing sources and \$465,669 in expenditures, which resulted in an increase in fund balance of \$131,557.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2011, the School District did not adopt a permanent appropriation resolution. Actual revenue was \$1,764,920 more than the final budget due primarily to higher than expected property tax revenue. Actual expenditures were the same as the final budget.

The School District's ending unobligated General Fund balance was \$3,948,904.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the School District had \$53,996,230 invested in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, infrastructure, vehicles, and library and textbooks. Table 4 shows fiscal year 2011 balances compared to 2010.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2011	2010*
Land and Land Improvements	\$1,658,225	\$1,697,859
Construction in Progress	1,443,833	175,753
Buildings and Improvements	49,434,793	50,273,115
Furniture and Equipment	721,432	779,771
Infrastructure	74,648	78,591
Vehicles	663,299	1,079,480
Totals	\$53,996,230	\$54,084,569

* As restated, see Note 22 for additional information.

Changes in capital assets from the prior year resulted from additions, deletions, and current year depreciation. For additional information on capital assets, see Note 8 to the basic financial statements.

Debt

At June 30, 2011, the School District had general obligation bonds outstanding of \$40,390,000, excluding the premium of \$1,023,131. The School District also had a capital lease obligation outstanding at year-end totaling \$2,584,154. For additional information on debt, see Note 13 to the basic financial statements.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

ECONOMIC FACTORS

Gallia County Local School District is financially stable. As the preceding information shows, the School District depends upon the State School Foundation Program and property taxes for the majority of the School District's revenues. Gallia County Local School District must maintain its current spending habits to maintain its healthy financial situation. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julia Slone, Treasurer at Gallia County Local School District, 230 Shawnee Lane, Gallipolis, Ohio 45631.

Gallia County Local School District
Statement of Net Assets
As of June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 18,104,856
Accrued Interest Receivable	5,545
Intergovernmental Receivable	1,519,795
Property Taxes Receivable	12,108,729
Restricted Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	380,837
Cash and Cash Equivalents with Escrow Agents	55,812
Unamortized Financing Costs	414,852
Nondepreciable Capital Assets	2,187,175
Depreciable Capital Assets, Net	51,809,055
<i>Total Assets</i>	86,586,656
Liabilities	
Accounts Payable	161,110
Accrued Wages and Benefits Payable	1,731,438
Contracts Payable	539,764
Intergovernmental Payable	509,056
Accrued Interest Payable	153,550
Retainage Payable	55,812
Deferred Revenue	11,412,602
Claims Payable	4,934
Long-Term Liabilities:	
Due Within One Year	1,067,349
Due In More Than One Year	44,368,727
<i>Total Liabilities</i>	60,004,342
Net Assets	
Invested in Capital Assets, Net of Related Debt	12,679,081
Restricted for:	
Debt Service	4,942,879
Capital Projects	5,418,754
Other Purposes	989,085
Title I	646,601
Contributions:	
Expendable	4,027
Non-Expendable	92,000
Unrestricted	1,809,887
<i>Total Net Assets</i>	\$ 26,582,314

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 10,370,681	\$ 479,455	\$ 263,025	\$ (9,628,201)
Special	3,282,623	104,256	1,230,954	(1,947,413)
Vocational	468,495	26,343	-	(442,152)
Other	1,943,222	109,114	6,117	(1,827,991)
Support Services:				
Pupil	588,581	33,238	-	(555,343)
Instructional Staff	1,284,866	32,140	620,861	(631,865)
Board of Education	121,063	6,543	-	(114,520)
Administration	1,684,572	85,189	141,860	(1,457,523)
Fiscal	765,854	33,673	54,686	(677,495)
Business	23,222	1,311	-	(21,911)
Operation and Maintenance of Plant	2,027,075	83,570	466,190	(1,477,315)
Pupil Transportation	2,328,849	95,293	189,522	(2,044,034)
Central	654,038	15,528	329,126	(309,384)
Operation of Non-Instructional Services	1,106,612	246,262	948,936	88,586
Extracurricular Activities	468,487	135,811	97,036	(235,640)
Interest and Fiscal Charges	1,929,153	-	-	(1,929,153)
Totals	\$ 29,047,393	\$ 1,487,726	\$ 4,348,313	(23,211,354)
General Revenues				
Property Taxes Levied for:				
General Purposes				7,997,865
Debt Service				3,090,066
Permanent Improvements				397,327
Grants and Entitlements not Restricted to Specific Programs				11,888,793
Investment Earnings				454,213
Miscellaneous				298,407
				<u>24,126,671</u>
<i>Total General Revenues</i>				<u>24,126,671</u>
				915,317
<i>Change in Net Assets</i>				915,317
				<u>25,666,997</u>
<i>Net Assets Beginning of Year - As Restated, See Note 22</i>				<u>25,666,997</u>
				<u>\$ 26,582,314</u>
<i>Net Assets End of Year</i>				<u>\$ 26,582,314</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District

Balance Sheet

Governmental Funds

As of June 30, 2011

	General	Bond Retirement	Permanent Improvement	Construction	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 4,247,938	\$ 4,755,235	\$ 3,863,258	\$ 4,270,122	\$ 697,175	\$ 17,833,728
Receivables:						
Property Taxes	8,410,436	3,274,243	424,050	-	-	12,108,729
Accrued Interest	-	-	-	4,083	1,462	5,545
Interfund	137,444	-	-	-	-	137,444
Intergovernmental	-	-	-	-	1,519,795	1,519,795
Restricted Assets:						
Equity in Pooled Cash, Cash Equivalents and Investments	380,837	-	-	-	-	380,837
Cash and Cash Equivalents with Escrow Agents	-	-	-	55,812	-	55,812
<i>Total Assets</i>	<u>\$ 13,176,655</u>	<u>\$ 8,029,478</u>	<u>\$ 4,287,308</u>	<u>\$ 4,330,017</u>	<u>\$ 2,218,432</u>	<u>\$ 32,041,890</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 132,160	\$ -	\$ 6,417	\$ -	\$ 22,533	\$ 161,110
Accrued Wages and Benefits Payable	1,560,025	-	-	-	171,413	1,731,438
Contracts Payable	-	-	-	539,764	-	539,764
Interfund Payable	-	-	-	-	137,444	137,444
Intergovernmental Payable	442,215	-	-	-	66,841	509,056
Retainage Payable	-	-	-	55,812	-	55,812
Deferred Revenue	8,333,082	3,244,268	420,154	-	1,384,626	13,382,130
<i>Total Liabilities</i>	<u>10,467,482</u>	<u>3,244,268</u>	<u>426,571</u>	<u>595,576</u>	<u>1,782,857</u>	<u>16,516,754</u>
Fund Balances						
Nonspendable	-	-	-	-	92,000	92,000
Restricted	380,837	4,785,210	3,860,737	3,734,441	449,161	13,210,386
Assigned	569,769	-	-	-	-	569,769
Unassigned	1,758,567	-	-	-	(105,586)	1,652,981
<i>Total Fund Balances</i>	<u>2,709,173</u>	<u>4,785,210</u>	<u>3,860,737</u>	<u>3,734,441</u>	<u>435,575</u>	<u>15,525,136</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 13,176,655</u>	<u>\$ 8,029,478</u>	<u>\$ 4,287,308</u>	<u>\$ 4,330,017</u>	<u>\$ 2,218,432</u>	<u>\$ 32,041,890</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 As of June 30, 2011*

Total Governmental Fund Balances \$ 15,525,136

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 53,996,230

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	584,902	
Intergovernmental	1,384,626	
Unamortized Financing Costs	414,852	
Total		2,384,380

An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 266,194

Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(153,550)	
Compensated Absences	(1,438,791)	
Capital Lease Obligations	(2,584,154)	
General Obligation Bonds	(40,390,000)	
Premium on Bonds	(1,023,131)	
Total		(45,589,626)

Net Assets of Governmental Activities \$ 26,582,314

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Permanent Improvement	Construction	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 7,951,051	\$ 3,078,347	\$ 396,813	\$ -	\$ -	\$ 11,426,211
Intergovernmental	11,511,533	328,743	49,077	-	4,595,983	16,485,336
Investment Earnings	399,447	-	-	54,429	337	454,213
Charges for Services	-	-	-	-	245,974	245,974
Tuition and Fees	1,059,813	-	-	-	-	1,059,813
Extracurricular Activities	66,005	-	-	-	115,934	181,939
Gifts and Donations	16	-	-	-	-	16
Miscellaneous	151,295	-	143,836	776	2,500	298,407
<i>Total Revenues</i>	<u>21,139,160</u>	<u>3,407,090</u>	<u>589,726</u>	<u>55,205</u>	<u>4,960,728</u>	<u>30,151,909</u>
Expenditures						
Current:						
Instruction:						
Regular	8,538,155	-	11,360	-	297,850	8,847,365
Special	1,878,044	-	-	-	1,413,658	3,291,702
Vocational	465,772	-	-	-	-	465,772
Other	1,932,207	-	-	-	7,032	1,939,239
Support Services:						
Pupil	595,852	-	-	-	-	595,852
Instructional Staff	573,764	-	-	-	715,692	1,289,456
Board of Education	115,863	-	-	-	-	115,863
Administration	1,532,964	-	-	-	161,042	1,694,006
Fiscal	607,398	94,500	12,203	-	62,870	776,971
Business	23,666	-	-	-	-	23,666
Operation and Maintenance of Plant	1,481,221	-	2,941	-	535,956	2,020,118
Pupil Transportation	1,685,278	-	1,020	-	217,222	1,903,520
Central	275,235	-	-	-	378,380	653,615
Operation of Non-Instructional Services	5,105	-	-	-	1,093,556	1,098,661
Extracurricular Activities	351,978	-	-	-	111,558	463,536
Capital Outlay	139,743	-	279,639	1,531,584	-	1,950,966
Debt Service:						
Principal	-	685,000	115,846	-	-	800,846
Interest and Fiscal Charges	-	1,918,976	42,660	-	-	1,961,636
<i>Total Expenditures</i>	<u>20,202,245</u>	<u>2,698,476</u>	<u>465,669</u>	<u>1,531,584</u>	<u>4,994,816</u>	<u>29,892,790</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>936,915</u>	<u>708,614</u>	<u>124,057</u>	<u>(1,476,379)</u>	<u>(34,088)</u>	<u>259,119</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	260,296	260,296
Proceeds from Sale of Assets	-	-	7,500	-	-	7,500
Inception of Capital Lease	-	-	-	2,700,000	-	2,700,000
Transfers Out	(288,533)	-	-	-	-	(288,533)
<i>Total Other Financing Sources (Uses)</i>	<u>(288,533)</u>	<u>-</u>	<u>7,500</u>	<u>2,700,000</u>	<u>260,296</u>	<u>2,679,263</u>
<i>Net Change in Fund Balances</i>	648,382	708,614	131,557	1,223,621	226,208	2,938,382
<i>Fund Balances Beginning of Year - As Restated, See Note 22</i>	<u>2,060,791</u>	<u>4,076,596</u>	<u>3,729,180</u>	<u>2,510,820</u>	<u>209,367</u>	<u>12,586,754</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,709,173</u>	<u>\$ 4,785,210</u>	<u>\$ 3,860,737</u>	<u>\$ 3,734,441</u>	<u>\$ 435,575</u>	<u>\$ 15,525,136</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds		\$ 2,938,382
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.</p>		
Capital Asset Additions	1,950,966	
Current Year Depreciation	<u>(1,920,223)</u>	
Total		30,743
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the loss on the disposal of capital assets and the proceeds from the sale of capital assets.</p>		
Proceeds from Sale of Capital Assets	(7,500)	
Loss on Disposal of Capital Assets	<u>(111,582)</u>	
Total		(119,082)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	59,047	
Intergovernmental	<u>(248,246)</u>	
Total		(189,199)
<p>Proceeds from the inception of capital lease in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.</p>		(2,700,000)
<p>The amortization of debt issuance costs and premiums are reported as interest expense in the statement of activities but are not reported in the governmental funds.</p>		
Debt Issuance Costs	(20,743)	
Premiums	<u>51,157</u>	
Total		30,414
<p>Repayments of debt and capital lease principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net assets and do not result in expenses in the statement of activities.</p>		800,846
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		675
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Decrease in Compensated Absences	120,469	
Decrease in Interest Payable	<u>2,069</u>	
Total		<u>122,538</u>
Net Change in Net Assets of Governmental Activities		\$ <u>915,317</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$ 20,415,000	\$ 20,415,000	\$ 22,179,920	\$ 1,764,920
Total Expenditures and Other Uses	-	22,114,273	22,114,273	-
Net Change in Fund Balance	20,415,000	(1,699,273)	65,647	1,764,920
Fund Balance, July 1 - As restated	3,776,344	3,776,344	3,776,344	0
Prior Year Encumbrances Appropriated	106,913	106,913	106,913	0
Fund Balance, June 30	<u>\$ 24,298,257</u>	<u>\$ 2,183,984</u>	<u>\$ 3,948,904</u>	<u>\$ 1,764,920</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Fund Net Assets
Governmental Activities
Internal Service Fund
As of June 30, 2011

	Internal Service Fund
Assets	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 271,128
<i>Total Assets</i>	271,128
Liabilities	
Current Liabilities:	
Claims Payable	4,934
<i>Total Liabilities</i>	4,934
Net Assets	
Unrestricted	266,194
<i>Total Net Assets</i>	\$ 266,194

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Internal Service Fund
Operating Expense	
Claims	\$ 27,562
<i>Total Operating Expense</i>	<i>27,562</i>
Operating Loss Before Transfers	(27,562)
Transfers In	28,237
<i>Changes in Net Assets</i>	<i>675</i>
<i>Net Assets at Beginning of Year</i>	<i>265,519</i>
<i>Net Assets at End of Year</i>	<i>\$ 266,194</i>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Cash Flows
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Internal Service Fund</u>
<i>Decrease in Cash, Cash Equivalents and Investments</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Payments for Claims	<u>\$ (28,871)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(28,871)</u>
<i>Cash Flows from Noncapital Financing Activities:</i>	
Operating Transfers In	<u>28,237</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>28,237</u>
Decrease in Cash, Cash Equivalents and Investments	(634)
Cash, Cash Equivalents and Investments at Beginning of Year	<u>271,762</u>
Cash, Cash Equivalents and Investments at End of Year	<u><u>\$ 271,128</u></u>
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	\$ (27,562)
<i>Changes in Liabilities:</i>	
Decrease in Claims Payable	<u>(1,309)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (28,871)</u></u>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
As of June 30, 2011

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Equity in Pooled Cash, Cash Equivalents and Investments	<u>\$ 2,800</u>	<u>\$ 90,916</u>
Liabilities		
Undistributed Monies	<u>-</u>	<u>\$ 90,916</u>
Net Assets		
Held in Trust for Scholarships	<u>\$ 2,800</u>	

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Private Purpose Trust Fund</u>
Additions	
Gifts and Contributions	<u>\$ 3,250</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>4,350</u>
Change in Net Assets	(1,100)
Net Assets Beginning of Year	<u>3,900</u>
Net Assets End of Year	<u><u>\$ 2,800</u></u>

The notes to the basic financial statements are an integral part of this statement.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Gallia County Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District provides educational services as authorized by State statute and/or federal guidelines. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the School District's seven (7) instructional support facilities staffed by 98 non-certificated and 178 certified personnel providing education to approximately 2,451 students.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Gallia County Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Booster Club

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one is a risk sharing pool, and one is a group purchasing pool. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Educational Regional Service System, the Schools of Ohio Risk Sharing Authority, Inc., and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Proprietary and fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the School District can be classified using three categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources, not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Bond Retirement Fund The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund. The primary source of revenue for this fund is property tax revenue.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Improvement Fund The Permanent Improvement Fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements. The primary source of revenue for this fund is property tax revenue.

Construction Fund The Construction Fund is used to account for all monies received and expended in connection with contracts entered into by the School District for the building and equipping of classroom facilities. The primary source of revenue for this fund is proceeds from a lease agreement.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The Internal Service Fund is used to provide excess coverage for claims in excess of contract amounts for medical, life, and dental benefits provided to employees.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are an agency fund, which is used to account for student managed activities, and a private-purpose trust fund, which is used to account for scholarship awards.

C. Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are to be based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts are to reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. During fiscal year 2011, the School District did not adopt a permanent appropriation resolution. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash, Cash Equivalents and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool or temporarily used to purchase short term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

During fiscal year 2011, investments were limited to certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$399,447, \$54,429 to the Construction Fund and \$337 to the Other Governmental Funds.

For purposes of the presentation on the financial statements, investments of a cash management pool or investments with an original maturity of three months or less at the time they are purchased by the School District would be considered to be cash equivalents.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District also maintains an outside bank account for the purpose of segregating retainage for several contractors used for the school facilities construction project. This cash has been presented on the financial statements as "restricted assets: cash and cash equivalents with escrow agents."

G. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10 years
Infrastructure	50 years
Library and Textbooks	5-15 years

H. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due to each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. The School District reported no matured compensated absences payable at June 30, 2011.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$12,093,346 in restricted net assets, none of which is restricted by enabling legislation.

N. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for the purchase of textbooks and materials. See Note 18 for additional information regarding set-asides. Restricted assets in the Construction Fund represent cash held as retainage for contractors.

O. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues not meeting this definition are presented as nonoperating revenues.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Unamortized Bond Issuance Costs/Bond Premium and Discount

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the statement of net assets. Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period.

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2011, the Lunchroom, Restructuring Team Grant, Race to the Top, Title VI-B, Teacher Quality Improvement, and Miscellaneous Federal Grant had deficit fund balances of \$53,916, \$2,522, \$26,711, \$5,455, \$16,872, and \$110, respectively, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget and actual (budget basis), presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$648,382
Revenue Accruals	1,108,146
Expenditure Accrual	(1,037,773)
Perspective Difference:	
Activity of Fund Reclassified for	
GAAP Reporting Purposes	(11,734)
Encumbrances	<u>(641,374)</u>
Budget Basis	<u><u>\$65,647</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The School District's bank balance of \$19,074,147 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Tangible personal property tax revenue received during calendar year 2011 represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which the fiscal year 2011 taxes were collected for Gallia County are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$230,428,090	57.26%	\$234,930,960	57.77%
Public Utility	171,371,150	42.59%	171,737,960	42.23%
Tangible Personal Property	610,180	0.15%	0	0.00%
Total Assessed Value	\$402,409,420	100.00%	\$406,668,920	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.75		\$28.75	

The School District receives property taxes from Gallia and Jackson Counties. The Gallia County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations.

The amount available to be advanced can vary based on the date the tax bills are sent.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011 was \$77,354 in the General Fund, \$29,975 in the Bond Retirement Fund, and \$3,868 in the Permanent Improvement Fund and was recognized as revenue for the fiscal year.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Non-Major Special Revenue Funds:</i>	
Lunchroom	\$111,381
Miscellaneous State Grants	22,500
Special Education, Part B-IDEA	292,120
Education Jobs	140,993
Title I	685,224
Race to the Top	96,765
Early Childhood Special Education, IDEA	24,842
Title II-A	116,236
Miscellaneous Federal Grants	29,734
Total Non-Major Special Revenue Funds	<u>1,519,795</u>
Total Intergovernmental Receivables	<u><u>\$1,519,795</u></u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010**	Additions	Deductions	Balance 6/30/2011
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$743,342	\$0	\$0	\$743,342
Construction in Progress	175,753	1,268,080	0	1,443,833
Total Capital Assets not being Depreciated	<u>919,095</u>	<u>1,268,080</u>	<u>0</u>	<u>2,187,175</u>
Depreciable Capital Assets:				
Land Improvements	2,227,987	191,646	(35,536)	2,384,097
Buildings and Improvements	59,949,143	478,120	(563,430)	59,863,833
Furniture and Equipment	1,275,423	13,120	0	1,288,543
Infrastructure	197,170	0	0	197,170
Library and Textbooks	1,138,235	0	0	1,138,235
Vehicles	3,571,663	0	0	3,571,663
Total Capital Assets being Depreciated	<u>68,359,621</u>	<u>682,886</u>	<u>(598,966)</u>	<u>68,443,541</u>
Less Accumulated Depreciation				
Land Improvements	(1,273,470)	(231,280)	35,536	(1,469,214)
Buildings and Improvements	(9,676,028)	(1,197,360)	444,348	(10,429,040)
Furniture and Equipment	(495,652)	(71,459)	0	(567,111)
Infrastructure	(118,579)	(3,943)	0	(122,522)
Library and Textbooks	(1,138,235)	0	0	(1,138,235)
Vehicles	(2,492,183)	(416,181)	0	(2,908,364)
Total Accumulated Depreciation	<u>(15,194,147)</u>	<u>(1,920,223)</u>	<u>479,884</u>	<u>(16,634,486)</u>
Total Capital Assets being Depreciated, Net	<u>53,165,474</u>	<u>(1,237,337)</u>	<u>(119,082)</u>	<u>51,809,055</u>
Capital Assets, Net	<u>\$54,084,569</u>	<u>\$30,743</u>	<u>(\$119,082)</u>	<u>\$53,996,230</u>

** As restated, see Note 22 for additional information.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,441,077
Special	15,710
Vocational	2,010
Support Services:	
Board of Education	5,200
Administration	12,950
Operation and Maintenance of Plant	4,268
Pupil Transportation	423,138
Central	694
Operation of Non-Instructional Services	10,225
Extracurricular Activities	4,951
Total Depreciation Expense	<u>\$ 1,920,223</u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a non-profit, public entity risk sharing pool. SORSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the SORSA (see Note 19). The types and amounts of coverage provided by the Schools of Ohio Risk Sharing Authority during fiscal year 2011 are as follows:

Buildings and Contents	\$86,291,501
Earth Movement Limit	2,000,000
Flood Limit	2,000,000
Crime Coverage	100,000
EDP Equipment – Per Occurrence	1,250,000
Errors and Omissions Cover	1,000,000
General Liability	12,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District evaluated insurance coverages and therefore increased their coverage for the current year.

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

The School District provides health and major medical, dental and prescription drug insurance for all eligible employees through United Health Care. The School District pays monthly premiums of up to \$1,527.06 for family coverage and up to \$605.97 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The School District provides excess coverage for claims in excess of contract amounts through their self insurance Internal Service Fund. Additional information regarding the handling of these excess claims follows.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT (Continued)

An administrative charge is paid monthly to Saunders/Wiseman Insurance. The claims liability of \$4,934 reported in the Internal Service Fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the fiscal year follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim Payments</u>	<u>Balance at</u> <u>End of Year</u>
2010	\$13,425	\$36,529	\$43,711	\$6,243
2011	6,243	27,562	28,871	4,934

NOTE 10- PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$335,403, \$450,305, and \$243,703, respectively; 55% has been contributed for fiscal year 2011 and 100% for the fiscal years 2010 and 2009. \$149,909 represents the unpaid contribution for fiscal year 2011.

NOTE 10 - PENSION PLANS (Continued)

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - PENSION PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2011, 2010 and 2009, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,261,201, \$1,301,300, and \$1,250,503, respectively; 84% has been contributed for the fiscal year 2011 and 100% for the fiscal year 2010 and 2009. \$203,420 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, four members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$98,580, \$98,513, and \$97,413 for fiscal years 2011, 2010 and 2009, respectively, which are equal to the required allocations for each year.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, 2010 and 2009 the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent, respectively. The School District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$18,481, \$21,351, and \$21,941, respectively, which equaled the required allocations for each year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010 and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2011, 2010 and 2009 fiscal years equaled \$92,656, \$68,888, and \$178,715, respectively, which equaled the required allocations for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE

During the fiscal year, the District entered into a agreement with Ohio Valley Bank to lease the Athletic fields and construct facilities thereon. This lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

Future minimum lease payments as of June 30, 2011 are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 317,013
2013	317,013
2014	317,013
2015	317,013
2016	317,013
2017-2021	<u>1,426,558</u>
Total	3,011,623
Less: Amount Representing Interest	<u>(427,469)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 2,584,154</u></u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

The construction was capitalized in the amount of \$1,042,995 with the remainder to be capitalized as the project is completed. \$2,700,000 represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2011 were \$115,846 in the governmental funds.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District’s long-term liabilities during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Due Within One Year
General Obligation Bonds 3.75%	\$41,075,000	\$0	\$685,000	\$40,390,000	\$740,000
Premium	1,074,288	0	51,157	1,023,131	0
Total Long-Term Bonds	42,149,288	0	736,157	41,413,131	740,000
Capital Lease	0	2,700,000	115,846	2,584,154	237,213
Compensated Absences	1,559,260	162,325	282,794	1,438,791	90,136
Total Long-Term Obligations	<u>\$43,708,548</u>	<u>\$2,862,325</u>	<u>\$1,134,797</u>	<u>\$45,436,076</u>	<u>\$1,067,349</u>

The General Obligation Bonds were issued in 2006 in the amount of \$43,000,000. These bonds were issued for the purpose of constructing and renovating school buildings. The debt will mature in 2034. The debt will be retired from the Bond Retirement Fund.

Compensated absences will be paid from the fund which the employee's salaries are paid, with the General Fund being the most significant. Capital leases will be paid from the Permanent Improvement Fund.

The School District’s voted legal debt margin was \$0. The School District has approximately \$3,789,797 of debt in excess of the nine percent limitation that has been approved based upon the School District’s “special needs” status. The School District has an unvoted debt margin of \$406,669 at June 30, 2011.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$740,000	\$1,892,258	\$2,632,258
2013	845,000	1,862,539	2,707,539
2014	905,000	1,828,595	2,733,595
2015	970,000	1,786,245	2,756,245
2016	1,105,000	1,739,895	2,844,895
2017-2021	6,950,000	7,898,031	14,848,031
2022-2026	9,065,000	6,068,231	15,133,231
2027-2031	11,460,000	3,575,500	15,035,500
2032-2034	<u>8,350,000</u>	<u>639,750</u>	<u>8,989,750</u>
Total	<u>\$40,390,000</u>	<u>\$27,291,044</u>	<u>\$67,681,044</u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. **SOUTHEAST OHIO VOLUNTARY EDUCATIONAL CONSORTIUM**

The Southeast Ohio Voluntary Educational Consortium (SEOVEC) is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to its members. Each member pays a fee annually for services provided by SEOVEC.

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2011, the Gallia County Local School District paid \$64,352 to SEOVEC.

B. **GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT**

Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Donalyn Smith, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

C. **GALLIA-VINTON EDUCATIONAL SERVICE CENTER**

Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Educational Service Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2011, the School District made \$205,605 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Lily Blevins, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

D. **EDUCATIONAL REGIONAL SERVICE SYSTEM (ERSS)**

The Educational Regional Service System consists of 16 designated regions to provide services to school districts, community schools, and chartered nonpublic schools in order to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 320 ½ East Main Street, Pomeroy, Ohio 45769.

NOTE 15 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts and educational service centers pay an enrollment fee to the GRP to cover the costs of administering the program.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 17- DEFERRED COMPENSATION

School District employees may participate in the Ohio Public Employees Deferred Compensation program, created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

NOTE 18- STATUTORY SET-ASIDES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute. Effective July 1, 2011, the textbooks set-aside will no longer be required.

	Textbooks	Capital Acquisition
Set-aside Balance as of June 30, 2010	\$370,767	\$0
Current year set-aside requirement	333,276	333,276
Current Year Qualifying disbursements	(323,206)	(105,260)
Excess Qualified Expenditures from Prior Years	0	(228,016)
Set-aside Balance as of June 30, 2011	\$380,837	\$0

The carryover amount in the Capital Acquisition Set-Aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$41,814,705 at June 30, 2011.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 - RISK SHARING POOL

Schools of Ohio Risk Sharing Authority, Inc. – The Schools of Ohio Risk Sharing Authority, Inc. (SORSA) is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automotive liability, certain property insurance and educators’ errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district’s control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235.

NOTE 20– INTERFUND ACTIVITY

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2012 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$137,444	\$0
Nonmajor Special Revenue Funds		
Lunchroom Fund	0	90,004
Early Childhood	0	2,315
Restructuring Team Grant	0	18,176
Race to the Top	0	26,839
Misc Federal Grant	0	110
	<u>0</u>	<u>137,444</u>
Total Nonmajor Special Revenue Funds	<u>0</u>	<u>137,444</u>
Total Interfund Receivables/Payables	<u><u>\$137,444</u></u>	<u><u>\$137,444</u></u>

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

Interfund Transfers

Transfers made during the year ended June 30, 2011, were as follows:

<u>Fund:</u>	<u>Transfer From:</u>	<u>Transfer To:</u>
General Fund	\$288,533	\$0
Nonmajor Special Revenue Funds	0	260,296
Internal Service Fund	0	28,237
Total All Funds	<u><u>\$288,533</u></u>	<u><u>\$288,533</u></u>

Transfers made from the General Fund to the Lunchroom and Internal Service funds are to move unrestricted balances to support programs and projects accounted for in other funds.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 21 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: 39 days maximum for one to nine years of service; 44 days maximum for 10 to 19 years of service; and 58 days maximum for 20 or more years of service. Classified employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments as follows: 43 days maximum for one to nine years of service; 48 days maximum for 10 to 19 years of service; and 53 days maximum for 20 or more years of service.

B. Insurance

The School District provides health and major medical and prescription drug insurance for all eligible employees through United Health Care. The School District pays monthly premiums of up to \$1,527.06 for family coverage and up to \$605.97 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

Dental coverage was provided through Coresource Oasis Trust Dental. Premiums for the dental coverage were \$64.38 monthly for family and \$25.25 for single coverage.

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the School District's financial statements:

	General	All Other Governmental	General Budgetary
Fund Balances, June 30, 2010	\$2,032,302	\$237,856	\$3,775,413
GASB 54 Fund Reclassifications	28,489	(28,489)	931
Restated Fund Balances, June 30, 2010	\$2,060,791	\$209,367	\$3,776,344

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES (Continued)

The School District restated its capital asset balance to properly reflect the correct balance. This restatement had the following effect on the School District’s financial statements:

	Governmental Activities
Net Assets, June 30, 2010	\$26,036,531
Restatement Amount	(369,534)
Restated Net Assets, June 30, 2010	\$25,666,997

NOTE 23 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Permanent Improvement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Scholarship	\$0	\$0	\$0	\$0	\$92,000	\$92,000
Restricted for						
Textbooks	380,837	0	0	0	0	380,837
Contributions	0	0	0	0	4,027	4,027
Poverty Aid	0	0	0	0	366,729	366,729
Other Purposes	0	0	0	0	78,405	78,405
Capital Improvements	0	0	3,860,737	3,734,441	0	7,595,178
Debt Services Payments	0	4,785,210	0	0	0	4,785,210
Total Restricted	380,837	4,785,210	3,860,737	3,734,441	449,161	13,210,386
Assigned to						
Other Purposes	569,769	0	0	0	0	569,769
Unassigned (Deficit)	1,758,567	0	0	0	(105,586)	1,652,981
Total Fund Balances	\$2,709,173	\$4,785,210	\$3,860,737	\$3,734,441	\$435,575	\$15,525,136

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 24 – CONTRACT COMMITMENTS

During the fiscal year, the School District entered into the following contracts for the purpose of constructing two athletic facilities:

Contractor	Contract Amount	Amount Paid as of 6/30/11	Remaining Balance
River Valley Athletic Project			
Trimat	\$1,567,956	\$113,037	\$1,454,919
AllStar Bleachers	173,772	0	173,772
Mechanical Construction	407,471	94,745	312,726
Claypool Electric	337,600	22,850	314,750
South Gallia Athletic Project			
Crown Excavating	873,439	0	873,439
Trimat	701,055	113,037	588,018
AllStar Bleachers	157,950	0	157,950
Mechanical Construction	403,129	94,745	308,384
Claypool Electric	337,600	22,850	314,750

NOTE 25 – SUBSEQUENT EVENTS

In April 2012, the School District terminated their contract with Trimat Construction. In July 2012, the School District entered into an agreement with Trimat Construction’s bonding company to oversee the completion of the project. The remaining balance on the contract at this time is \$255,952.

In February 2012, the School District purchased one 78 passenger school bus and three 81 passenger school buses for a total of \$332,408.

NOTE 26 – COMPLIANCE

Contrary to the Ohio Revised Code Section 5705.38 (A), the School District failed to approve and file with the County Auditor a permanent appropriation resolution.

Contrary to the Ohio Revised Code Section 5705.41(B), the School District had expenditures plus encumbrances in excess of appropriations.

Contrary to the Ohio Revised Code Section 5705.36(A), the School District had appropriations in excess of available resources.

Contrary to the Ohio Revised Code Section 117.38, the School District did not file its annual financial report prior to 150 days after the close of the fiscal year.

Office of Management and Budget (OMB) Circular A-133 Section .320(a) states that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor’s report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The School District’s single audit was not completed by the required deadline.

34 CFR 80.20 (b)(7) requires that procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used for the State Fiscal Stabilization Fund (SFSF) grant. The School District did not always properly adhere to this requirement.

Gallia County Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$210,101	\$0	\$210,101	\$0
National School Lunch Program	3L60	10.555	546,708	45,077	546,708	45,077
Total Child Nutrition Cluster			756,809	45,077	756,809	45,077
Total United States Department of Agriculture			756,809	45,077	756,809	45,077
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	506,229	0	538,480	0
Special Education-Grants to States, Recovery Act	3DJ0	84.391	199,036	0	178,664	0
Special Education-Preschool Grants	3C50	84.173	7,346	0	12,240	0
Special Education-Preschool Grants, Recovery Act	3DL0	84.392	4,877	0	5,130	0
Total Special Education Cluster			717,488	0	734,514	0
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	1,116,570	0	1,170,330	0
Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	462,120	0	472,086	0
Total Title I Cluster			1,578,690	0	1,642,416	0
State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	GRF	84.394	876,233	0	877,190	0
Twenty-First Century Community Learning Centers	3Y20	84.287	200,000	0	200,000	0
Drug Free Schools	3D10	84.186	12,464	0	0	0
Educational Technology State Grants	3S20	84.318	14,860	0	5,334	0
Rural Education	3Y80	84.358	57,785	0	52,896	0
Improving Teacher Quality State Grants	3Y60	84.367	269,730	0	255,299	0
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	18,335	0	44,574	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>						
Guiding Children to Live Successfully	DGSP	84.186A	2,934	0	1,999	0
Total United States Department of Education			3,748,519	0	3,814,222	0
Total Federal Financial Assistance			\$4,505,328	\$45,077	\$4,571,031	\$45,077

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Gallia County Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2011

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received.

Note 3 – Food Donation

The School District reports commodities consumed on the schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Gallia County Local School District
230 Shawnee Lane
Gallipolis, Ohio 45631

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallia County Local School District, Gallia County, (the School District) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 28, 2012, wherein we noted the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. This item has been identified as finding 2011-4. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 through 2011-3 and 2011-5.

We noted certain matters that we reported to management of the School District in a separate letter dated September 28, 2012.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education, others within the School District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

September 28, 2012

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Education
Gallia County Local School District
230 Shawnee Lane
Gallipolis, Ohio 45631

Compliance

We have audited Gallia County Local School District's, Gallia County, (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-6 and 2011-7.

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the School District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

September 28, 2012

Gallia County Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Special Education Cluster (CFDA #84.027, #84.173, #84.391, and #84.392) Title I Cluster (CFDA #84.010 and #84.389) State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394) Child Nutrition Cluster (CFDA #10.553 and #10.555)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2011-1

Noncompliance – Filing of Annual Report and Notice of Availability of Annual Financial Report

Ohio Revised Code (ORC) Section 117.38 states that GAAP-basis entities must file annual reports within 150 days of their fiscal year end. The ORC also requires public offices to publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The School District did not file their annual report within 150 days. In fact, the June 30, 2011 was not available until August 27, 2012. In addition, the School District did not publish notice that its report was available for public inspection. The School District should implement procedures to ensure that its annual report is filed within 150 days of its fiscal year end and that the public is notified when the report is available for inspection.

Gallia County Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

Client Response:

The annual financial statements were not completed in a timely manner due to the new Treasurer having difficulty locating records and assembling information needed for the GAAP conversion so the reports could be prepared. We are currently investigating the conversion of documents to an electronic format so that access is available for remote buildings' records by the Central Office staff. This is a time consuming process but will greatly improve our ability to access and monitor records. The filing could not be completed or the notice published until the reports were completed. The Treasurer will make it a priority for herself and the fiscal staff to see that this does not happen again.

Finding 2011-2

Noncompliance – Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The School District had appropriations in excess of available resources in the Construction Fund during the fiscal year. The School District should implement the appropriate procedures, such as periodic comparisons of available resources to estimated resources and appropriations, to ensure that appropriations are limited to available resources to ensure overspending does not occur.

Client Response:

The previous District Treasurer was arranging the financing of the athletic facilities at the time the original certificate of resources would have been filed. The funds were received Sept 15 of 2010 and receipted into the construction fund. The cash was actually in the construction fund, but the Treasurer failed to file the required amended certificate and appropriations. At no time were any funds actually encumbered or disbursed that were not actually in the construction fund. The current Treasurer will review receipts and appropriations periodically and make sure to file amendments to the certificate when funds are increased.

Finding 2011-3

Noncompliance – Annual Appropriations Measure

Ohio Revised Code 5705.38(A) requires that on or about the first day of each fiscal year an appropriation measure is to be passed. Ohio Revised Code Section 5705.39 states that no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The annual appropriation measure for fiscal year 2011 was not filed with the county. The School District also had appropriations in excess of estimated resources in amended certificates. The School District should also implement the appropriate procedures to ensure that annual appropriation measures are filed with the county in a timely fashion.

Client Response:

In reviewing the files of the previous Treasurer, it appears she did file a temporary appropriations measure on June 30, 2010. The Treasurer sent some incorrect certificates and appropriations in July and August which the auditor's office returned with suggested corrections, but it does not appear the corrections were ever made or filed. The current Treasurer has reviewed these documents. With the help of the County Auditor's Assistant the current Treasurer understands what was done wrong in the past, and what is required, and will make every attempt to file required documents as required. A copy of the ODE Calendar of Deadlines and Significant Events is now kept by the Treasurer and reviewed frequently to anticipate upcoming deadlines.

Gallia County Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

Finding 2011-4

Significant Deficiency – Financing Reporting

A monitoring system by the School District should be in place to prevent or detect misstatements for the accurate presentation of the School District's financial statements. The School District restated its beginning capital assets and net asset balances due to errors identified in such balances, discovered in an appraisal. An error was also identified within the accounts receivable accrual balance. The error in the accounts receivable balance was not considered significant and correction was waived. Furthermore, reclassifications of net asset balances were required to accurately state balances. The School District should implement additional procedures over inventory procedures and with work performed by its consultant to ensure financial reports are fairly stated.

Client Response:

The Treasurer will have a discussion with the consultant regarding misstatements and document the details of how they occurred, what was affected, and how we can prevent future occurrences. We will work closely with the consultant to ensure all receivable are properly identified by the School District, communicated to the consultant and properly presented within the financial statements. One way to address the issue might be to review the list of adjustments before the statement is prepared.

Finding 2011-5

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision of taxing unit is to expend money unless it has been appropriated. The District had expenditures in excess of appropriations throughout the year as the appropriations were not adopted until year-end due to management oversight. The District should implement the appropriate procedures, such as use of tickler files, to ensure that appropriations are adopted timely.

Client Response:

In reviewing the files of the previous Treasurer, it appears she did file a temporary appropriations measure on June 30, 2010. The Treasurer sent some incorrect certificates and appropriations in July and August which the auditor's office returned with suggested corrections, but it does not appear the corrections were ever made or filed. The current Treasurer has reviewed these documents. With the help of the County Auditor's Assistant the current Treasurer understands what was done wrong in the past, and what is required, and will make every attempt to file required documents as required. A copy of the ODE Calendar of Deadlines and Significant Events is now kept by the Treasurer and reviewed frequently to anticipate upcoming deadlines. The Treasurer will also try the recommendation of the auditor of using a tickler file to keep track of upcoming required actions and filings.

Gallia County Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

Section III – Federal Award Findings and Questioned Costs

Finding 2011-6

Noncompliance – Nine Month Deadline for Single Audits

Major Programs Affected

Special Education Cluster (CFDA #84.027, #84.173, #84.391, and #84.392); Title I Cluster (CFDA #84.010 and #84.389); State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394); Child Nutrition Cluster (CFDA #10.553 and #10.555)

Summary of Requirement

Office of Management and Budget (OMB) Circular A-133 Section .320(a) states that that audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition

The School District's single audit was not completed by the required deadline.

Recommendation

The School District should implement the appropriate procedures to ensure that the appropriate deadlines are met.

Finding 2011-7

Noncompliance – Cash Management

Major Program Affected

State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394)

Summary of Requirement

34 CFR 80.20 (b)(7) requires that procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

SFSF program funds were advanced to the School District through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a new form in fiscal year 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to the School District on a bi-monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. The School District must have an internal control system in place for ensure advance SFSF payments are spent timely. According to Cash Management rules, schools must spend advances within 30 days or by the end of the month, whichever occurs first.

Condition

The School District did not always spend all their advances by the end of the month.

Recommendation

The School District should implement the appropriate procedures to ensure that advances of federal funds are spent timely.

Gallia County Local School District
Corrective Action Plan
OMB Circular A-133 Section .315(c)
For the Fiscal Year Ended June 30, 2011

Corrective Action Plan for Finding 2011-6

Finding Control Number – 2011-6

Summary of Finding

The School District's single audit was not completed by the required deadline.

Statement of Concurrence

The School District is aware of Finding 2011-6 and agrees that the finding as stated is correct.

Corrective Action

The School District's Treasurer accepted the position in the middle of the time period covered by the single audit. It was difficult finding records in a timely manner and assembling and organizing the items requested for review. The new Treasurer often misunderstood requests and spent time gathering the wrong information. The School District files are currently being re-organized, and the School District is looking at the process of converting many of our paper records into electronic records, not only in the Board Office, but also in the seven school buildings throughout the School District. This process will be time-consuming to put into place, but will enable the Central Office employees to access remote records instantly. With staff reductions and changes, it has been difficult to get everything done in the time period that is needed. The School District employees a CPA firm to do a GAAP conversion and create financial reports, and the delays from the School District getting material and information for this process delayed the ability of the auditing firm to complete the audit. For the next audit, when the auditor sends the pre-audit list, all efforts will be put into assembling the materials requested as soon as possible, and the Treasurer will communicate with the auditing staff to be sure the requests are understood.

Some forms and practices are being changed to include more information which is needed to monitor the activities and provide information to auditors. One such item is fundraiser forms. In the future, the schools will attach all related receipts, deposit tickets, etc. before they file the forms, which will eliminate the time consuming process of trying to assemble related documents a year or more after the transactions take place. Other planned changes to be made include creating a checklist for the lunchroom staff of reports that need to be printed every day, and a review with the staff to review record-keeping requirements.

Each year before the beginning of the school year, there are in-service training sessions for employees. Materials will be prepared for these meetings to remind employees of important processes and record-keeping requirements. Better organized records in the buildings and the Central Office will improve quick accessibility of requested information for the auditors.

The Treasurer will better prioritize tasks to ensure that deadlines are met.

Contact Person

Julia Slone, Treasurer

Corrective Action Plan for Finding 2011-7

Finding Control Number – 2011-7

Summary of Finding

The School District did not always expend funding in accordance with Cash Management regulations.

Statement of Concurrence

The School District is aware of Finding 2011-7 and agrees that the finding as stated is correct.

Gallia County Local School District
Corrective Action Plan
OMB Circular A-133 Section .315(c)
For the Fiscal Year Ended June 30, 2011

Corrective Action Plan for Finding 2011-7 (Continued)

Finding Control Number – 2011-7 (Continued)

Corrective Action

It can be difficult to estimate how much will be needed as plans change or are delayed. It can also be difficult to coordinate orders, cash requests, and processing of invoices so that all are completed by the end of the month. At times, we have requested cash and a plan will be delayed, resulting in funds remaining in our possession longer than anticipated. We can reduce the changes of this occurrence by making sure the order has been placed before we request the cash, instead of making the cash request when the purchase order is approved and the funds are encumbered. Some grants do have payroll routinely paid from them and the cash requested may not be expended yet by end of month because the payroll date the cash was requested to cover may be shortly after the end of the month. If it is preferred that we wait until after the payroll has been paid instead of requesting funds before the payroll, we will begin handling it in that manner.

Contact Person

Julia Slone, Treasurer

Gallia County Local School DistrictGallia County

Schedule of Prior Audit Findings

OMB Circular A-133 Section .315(b)

For the Fiscal Year Ended June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2010-001	Noncompliance Citation – Circular A-133 Reporting	No	Reissued as Finding 2011-6

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Education
Gallia County Local School District
230 Shawnee Lane
Gallipolis, Ohio 45631

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Gallia County Local School District (the School District) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than this specified party.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

September 28, 2012



Dave Yost • Auditor of State

GALLIA COUNTY LOCAL SCHOOL DISTRICT

GALLIA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2012